

LEE COUNTY, NORTH CAROLINA
Statement of Net Assets
June 30, 2005

Exhibit 1

	Primary Government		
	Governmental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 13,809,857	\$ 830,886	\$ 14,640,743
Cash and investments - restricted	7,718,926	-	7,718,926
Taxes receivable - net	1,676,032	-	1,676,032
Accounts receivable - net	3,993,445	104,747	4,098,192
Accrued interest receivable	52,001	2,016	54,017
Inventory	10,935	-	10,935
Deferred charge - issuance costs	574,699	-	574,699
Capital assets:			
Land, improvements, and construction in progress	6,327,446	260,425	6,587,871
Other capital assets, net of depreciation	12,918,336	599,031	13,517,367
Total capital assets	<u>19,245,782</u>	<u>859,456</u>	<u>20,105,238</u>
 Total assets	 <u>47,081,677</u>	 <u>1,797,105</u>	 <u>48,878,782</u>
Liabilities			
Accounts payable and accrued liabilities	4,359,526	35,696	4,395,222
Unamortized bond premium	755,952	-	755,952
Accrued interest payable	531,524	-	531,524
Unearned revenues	150,166	-	150,166
Noncurrent liabilities			
Due within one year	4,159,883	4,600	4,164,483
Due in more than one year	<u>44,881,273</u>	<u>23,825</u>	<u>44,905,098</u>
 Total liabilities	 <u>54,838,324</u>	 <u>64,121</u>	 <u>54,902,445</u>
Net assets			
Invested in capital assets, net of related debt	12,958,415	859,456	13,817,871
Restricted for:			
Capital projects	515,116	-	515,116
Public Safety	1,098,343	-	1,098,343
Economic and Physical Development	50,545	-	50,545
Education	5,420,874	-	5,420,874
Register of Deeds	117,112	-	117,112
Unrestricted	<u>(27,917,052)</u>	<u>873,528</u>	<u>(27,043,524)</u>
 Total net assets	 <u>\$ (7,756,647)</u>	 <u>\$ 1,732,984</u>	 <u>\$ (6,023,663)</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2005

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Government activities:						
General government	\$ 5,829,053	\$ 472,894	\$ 9,584	\$ -	\$ (5,346,575)	\$ -
Public safety	7,483,289	371,883	323,638	-	(6,787,768)	-
Economic and physical development	15,955,571	3,060	72,970	-	(15,879,541)	-
Human services	14,541,954	1,173,939	7,310,648	-	(6,057,367)	-
Cultural and recreation	1,595,953	238,794	115,792	-	(1,241,367)	-
Education	12,385,372	-	-	413,400	(11,971,972)	-
Interest on long-term debt	2,405,894	-	-	-	(2,405,894)	-
Total governmental activities	60,197,086	2,260,570	7,832,632	413,400	(49,690,484)	-
Business type activities:						
Water & Sewer	1,030,102	977,923	-	-	-	(52,179)
Solid Waste Management Fund	1,275,318	1,069,301	67,765	48,691	(89,561)	(89,561)
Total business type activities	2,305,420	2,047,224	67,765	48,691	(141,740)	(141,740)
Total primary government	\$62,502,506	\$4,307,794	\$ 7,900,397	\$ 462,091	(49,690,484)	(49,832,224)
General revenues:						
Ad valorem taxes					26,271,487	26,271,487
Sales taxes					9,065,325	9,065,325
Other taxes					931,185	931,185
Grants and contributions not restricted to specific programs					141,921	141,921
Investment earnings					601,147	58,204
Miscellaneous					938,772	31,262
Loss on disposal of capital assets					-	(4,648,118)
Transfers					342,914	(342,914)
Total general revenues					38,292,751	(4,901,566)
Change in net assets					(11,397,733)	(5,043,306)
Net assets, beginning of year					15,076,152	6,776,290
Prior period adjustment					(11,435,066)	-
Net assets, beginning of year, restated					3,641,086	6,776,290
Net assets, end of year					\$ (7,756,647)	\$ 1,732,984
						\$ (6,023,663)

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2005

Exhibit 3

	Major Funds			
	General Fund	New High School Construction Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Assets:				
Cash and investments	\$ 10,805,627	\$ -	\$ 3,004,230	\$ 13,809,857
Cash and investments - restricted	-	5,405,334	2,313,592	7,718,926
Taxes receivable - net	1,593,189	-	82,843	1,676,032
Accounts receivable - net	2,913,776	262,226	569,172	3,745,174
Accrued interest receivable	30,495	12,259	9,247	52,001
Notes receivable	579,271	-	-	579,271
Inventory	10,935	-	-	10,935
Total assets	<u>\$ 15,933,293</u>	<u>\$ 5,679,819</u>	<u>\$ 5,979,084</u>	<u>\$ 27,592,196</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 688,041	\$ 3,012,361	\$ 659,124	\$ 4,359,526
Deferred revenues	1,742,939	-	88,741	1,831,680
Total liabilities	<u>2,430,980</u>	<u>3,012,361</u>	<u>747,865</u>	<u>6,191,206</u>
Fund balances:				
Reserved by State statute	2,939,160	274,485	401,210	3,614,855
Reserved for encumbrances	171,334	3,648,519	295,831	4,115,684
Reserved for register of deeds	117,112	-	-	117,112
Reserved for notes receivable	579,271	-	-	579,271
Reserved for inventory	10,935	-	-	10,935
Unreserved:				
Designated for subsequent year's expenditures:				
General fund	2,663,425	-	-	2,663,425
Special revenue funds	-	-	81,250	81,250
Designated for special purposes	148,094	-	-	148,094
Undesignated, reported in:				
General fund	6,872,982	-	-	6,872,982
Special revenue funds	-	-	1,724,585	1,724,585
Capital project funds	-	(1,255,546)	2,728,343	1,472,797
Total fund balances	<u>13,502,313</u>	<u>2,667,458</u>	<u>5,231,219</u>	<u>21,400,990</u>
Total liabilities and fund balances	<u>\$ 15,933,293</u>	<u>\$ 5,679,819</u>	<u>\$ 5,979,084</u>	<u>\$ 27,592,196</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities				
Fund balance as reported in the balance sheet - governmental funds				\$ 21,400,990
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				19,245,782
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds				1,925,213
Compensated absences not expected to be materially liquidated with expendable available resources				(984,942)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(49,343,690)
Net assets of governmental activities				<u>\$ (7,756,647)</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2005

Exhibit 4

	Major Funds			
	General Fund	New High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 24,973,660	\$ -	\$ 1,363,101	\$ 26,336,761
Local option sales taxes	7,639,604	-	1,425,721	9,065,325
Other taxes and licenses	444,937	-	602,331	1,047,268
Unrestricted intergovernmental	141,921	-	-	141,921
Restricted intergovernmental	7,489,104	-	613,630	8,102,734
Permits and fees	354,375	-	-	354,375
Sales and services	2,006,891	-	-	2,006,891
Investment earnings	244,361	231,735	125,051	601,147
Miscellaneous	485,303	362,195	-	847,498
Total revenues	<u>43,780,156</u>	<u>593,930</u>	<u>4,129,834</u>	<u>48,503,920</u>
Expenditures:				
Current:				
General government	5,484,097	-	-	5,484,097
Public safety	5,689,599	-	1,411,228	7,100,827
Economic and physical development	1,081,310	-	2,502,213	3,583,523
Human services	14,357,689	-	-	14,357,689
Education	12,238,822	13,837,418	516,194	26,592,434
Cultural and recreational	1,667,361	-	-	1,667,361
Debt service:				
Principal retirement	3,746,506	-	-	3,746,506
Interest and fees	2,630,685	-	-	2,630,685
Total expenditures	<u>46,896,069</u>	<u>13,837,418</u>	<u>4,429,635</u>	<u>65,163,122</u>
Revenues over (under) expenditures	(3,115,913)	(13,243,488)	(299,801)	(16,659,202)
Other financing sources (uses):				
Transfers from other funds	3,347,334	850,000	1,395,523	5,592,857
Transfers to other funds	(1,702,609)	(200,000)	(3,318,014)	(5,220,623)
Total other financing sources (uses)	<u>1,644,725</u>	<u>650,000</u>	<u>(1,922,491)</u>	<u>372,234</u>
Net change in fund balances	(1,471,188)	(12,593,488)	(2,222,292)	(16,286,968)
Fund balances, beginning of year	<u>14,973,501</u>	<u>15,260,946</u>	<u>7,453,511</u>	<u>37,687,958</u>
Fund balances, end of year	<u>\$ 13,502,313</u>	<u>\$ 2,667,458</u>	<u>\$ 5,231,219</u>	<u>\$ 21,400,990</u>
Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities				
Net changes in fund balances - total governmental funds				\$ (16,286,968)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.				
Capital outlay				2,428,801
Depreciation				(1,361,339)
Basis of assets disposed				(134,619)
Assets donated				88,060
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds				(59,790)
The Issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.				<u>3,928,122</u>
Change in net assets of governmental activities				<u>\$ (11,397,733)</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Funds
For the Year Ended June 30, 2005

Exhibit 5

	Budget			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$24,323,572	\$24,323,572	\$24,973,660	\$ 650,088
Local option sales taxes	6,912,540	6,912,540	7,639,604	727,064
Other taxes and licenses	333,300	333,300	444,937	111,637
Unrestricted intergovernmental	183,149	183,149	141,921	(41,228)
Restricted intergovernmental	7,169,425	7,590,365	7,489,104	(101,261)
Permits and fees	400,000	400,000	354,375	(45,625)
Sales and services	2,563,202	2,566,402	2,006,891	(559,511)
Investment earnings	200,000	200,000	244,361	44,361
Miscellaneous	307,245	418,457	485,303	66,846
Total revenues	<u>42,392,433</u>	<u>42,927,785</u>	<u>43,780,156</u>	<u>852,371</u>
Expenditures:				
Current:				
General government	5,947,425	6,561,465	5,484,097	1,077,368
Public safety	5,884,536	6,120,296	5,689,599	430,697
Economic and physical development	1,542,320	1,106,590	1,081,310	25,280
Human services	15,731,352	16,210,985	14,357,689	1,853,296
Education	12,238,822	12,238,822	12,238,822	-
Cultural and recreational	1,788,652	1,807,314	1,667,361	139,953
Debt service:				
Principal retirement	3,746,506	3,746,506	3,746,506	-
Interest and fees	2,637,702	2,637,702	2,630,685	7,017
Total expenditures	<u>49,517,315</u>	<u>50,429,680</u>	<u>46,896,069</u>	<u>3,533,611</u>
Revenues over (under) expenditures	(7,124,882)	(7,501,895)	(3,115,913)	4,385,982
Other financing sources (uses):				
Transfers from other funds	3,436,752	3,466,072	3,347,334	(118,738)
Transfers to other funds	(752,700)	(1,702,609)	(1,702,609)	-
Total other financing sources (uses)	<u>2,684,052</u>	<u>1,763,463</u>	<u>1,644,725</u>	<u>(118,738)</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(4,440,830)	(5,738,432)	(1,471,188)	4,267,244
Appropriated fund balance	<u>4,440,830</u>	<u>5,738,432</u>	<u>-</u>	<u>(5,738,432)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,471,188)</u>	<u>\$ (1,471,188)</u>
Fund balances, beginning of year			<u>14,973,501</u>	
Fund balances, end of year			<u>\$13,502,313</u>	

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Fund Net Assets - Proprietary Funds
June 30, 2005

Exhibit 6

	Major Funds		Total
	Water and Sewer District #1 Fund	Solid Waste Management Fund	Business-type Activities Enterprise
Assets			
Current assets:			
Cash and investments	\$ 5,185	\$ 825,701	\$ 830,886
Accounts receivable - net	90	104,657	104,747
Accrued interest receivable	-	2,016	2,016
Total current assets	<u>5,275</u>	<u>932,374</u>	<u>937,649</u>
Noncurrent assets:			
Land	-	260,425	260,425
Other capital assets, net of accumulated depreciation	-	599,031	599,031
Total noncurrent assets	<u>-</u>	<u>859,456</u>	<u>859,456</u>
Total assets	<u>5,275</u>	<u>1,791,830</u>	<u>1,797,105</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	-	23,916	23,916
Accrued landfill closure costs	-	11,780	11,780
Total current liabilities	<u>-</u>	<u>35,696</u>	<u>35,696</u>
Noncurrent liabilities:			
Compensated absences payable	-	28,425	28,425
Total noncurrent liabilities	<u>-</u>	<u>28,425</u>	<u>28,425</u>
Total liabilities	<u>-</u>	<u>64,121</u>	<u>64,121</u>
Net assets			
Invested in capital assets, net of related debt	-	859,456	859,456
Unrestricted	5,275	868,253	873,528
Total net assets	<u>\$ 5,275</u>	<u>\$ 1,727,709</u>	<u>\$ 1,732,984</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund
Net Assets - Proprietary Funds
For The Year Ended June 30, 2005

Exhibit 7

	Major Funds		Other Non-major	Total
	Water and Sewer District #1 Fund	Solid Waste Management Fund	Fund - Golden Poultry Water Fund	Business-type Activities Enterprise
Operating revenues:				
Charges for services	\$ 977,923	\$ 1,069,301	\$ -	\$ 2,047,224
Other miscellaneous revenues	-	83,027	-	83,027
Total operating revenues	<u>977,923</u>	<u>1,152,328</u>	<u>-</u>	<u>2,130,251</u>
Operating expenses:				
Cost of service and administration	706,002	1,164,777	44,115	1,914,894
Depreciation	-	110,541	-	110,541
Total operating expenses	<u>706,002</u>	<u>1,275,318</u>	<u>44,115</u>	<u>2,025,435</u>
Operating income (loss)	<u>271,921</u>	<u>(122,990)</u>	<u>(44,115)</u>	<u>104,816</u>
Nonoperating revenues (expenses):				
Investment earnings	36,844	20,881	479	58,204
Rent	16,000	-	-	16,000
Interest expense	(279,985)	-	-	(279,985)
Nonoperating revenues (expenses) - net	<u>(227,141)</u>	<u>20,881</u>	<u>479</u>	<u>(205,781)</u>
Income (loss) before capital contributions, special items, and operating transfers	44,780	(102,109)	(43,636)	(100,965)
Capital contributions	-	48,691	-	48,691
Gain (loss) on disposal of fixed assets	(3,717,624)	(1,650)	(928,844)	(4,648,118)
Transfers	<u>(235,599)</u>	<u>-</u>	<u>(107,315)</u>	<u>(342,914)</u>
Net income (loss)	(3,908,443)	(55,068)	(1,079,795)	(5,043,306)
Net assets, beginning of year	<u>3,913,718</u>	<u>1,782,777</u>	<u>1,079,795</u>	<u>6,776,290</u>
Net assets, end of year	<u>\$ 5,275</u>	<u>\$ 1,727,709</u>	<u>\$ -</u>	<u>\$ 1,732,984</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Cash Flows - Proprietary Funds
For The Year Ended June 30, 2005

Exhibit 8

	Major Funds		Non-major Fund	Total
	Water and Sewer District #1 Fund	Solid Waste Management Fund	Golden Poultry Water Fund	Business-type Activities Enterprise
Cash flows from operating activities:				
Receipts from customers	\$ 1,255,549	\$ 1,071,186	\$ -	\$ 2,326,735
Payments to suppliers for goods and services	(872,378)	(574,765)	(44,115)	(1,491,258)
Payments to or on behalf of employees	(15,613)	(585,596)	-	(601,209)
Other operating revenues	-	83,337	-	83,337
Net cash provided (used) by operating activities	<u>367,558</u>	<u>(5,838)</u>	<u>(44,115)</u>	<u>317,605</u>
Cash flows from noncapital and related financing activities:				
Proceeds from rent	16,000	-	-	16,000
Payment on interfund loan	(105,000)	-	-	(105,000)
Transfers (to) from other funds	(235,599)	-	(107,315)	(342,914)
Net cash provided (used) by noncapital and related financing activities	<u>(324,599)</u>	<u>-</u>	<u>(107,315)</u>	<u>(431,914)</u>
Cash flows from capital and related financing activities:				
Proceeds from loan receivable	75,000	-	-	75,000
Acquisition and construction of capital assets	-	(6,619)	-	(6,619)
Principal payments on bonds payable	(6,905,000)	-	-	(6,905,000)
Interest payments on bonds payable	(309,959)	-	-	(309,959)
Proceeds from sale of assets	6,188,219	-	-	6,188,219
Net cash provided (used) by capital and related financing activities	<u>(951,740)</u>	<u>(6,619)</u>	<u>-</u>	<u>(958,359)</u>
Cash flows from investing activities - interest on investments	<u>37,780</u>	<u>19,680</u>	<u>567</u>	<u>58,027</u>
Net increase (decrease) in cash and cash equivalents	(871,001)	7,223	(150,863)	(1,014,641)
Cash and cash equivalents, beginning of year	<u>876,186</u>	<u>818,478</u>	<u>150,863</u>	<u>1,845,527</u>
Cash and cash equivalents, end of year	<u>\$ 5,185</u>	<u>\$ 825,701</u>	<u>\$ -</u>	<u>\$ 830,886</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 271,921	\$ (122,990)	\$ (44,115)	\$ 104,816
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	-	110,541	-	110,541
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	277,621	1,186	-	278,807
Increase (decrease) in accounts payable and accrued expenses	(181,984)	5,425	-	(176,559)
Net cash provided (used) by operating activities	<u>\$ 367,558</u>	<u>\$ (5,838)</u>	<u>\$ (44,115)</u>	<u>\$ 317,605</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Exhibit 9

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund	Agency Funds
Assets			
Cash and investments	\$ 91,326	\$ 24,520	\$ 65,107
Taxes receivable - net	-	-	836,240
Accounts receivable	-	-	31,336
Accrued interest receivable	<u>223</u>	<u>60</u>	<u>-</u>
Total assets	<u>\$ 91,549</u>	<u>\$ 24,580</u>	<u>\$ 932,683</u>
Liabilities			
Other liabilities	\$ -	\$ -	\$ 45,678
Due to other governmental units	<u>-</u>	<u>-</u>	<u>887,005</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>932,683</u>
Net assets			
Held in trust for employee's pension benefits	91,549	-	-
Held in trust for the Library	<u>-</u>	<u>24,580</u>	<u>-</u>
Total net assets	<u>\$ 91,549</u>	<u>\$ 24,580</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

LEE COUNTY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

Exhibit 10

	Pension Trust Law Enforcement Employees	Kenneth Brown Bequest Fund
Additions:		
Investment earnings	\$ 2,557	\$ 564
Deductions:		
Transfers	(29,320)	-
Net increase (decrease)	(26,763)	564
Net assets, beginning of year	118,312	24,016
Net assets, end of year	\$ 91,549	\$ 24,580

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Lee County, North Carolina (the "County"), governed by a seven-member board of commissioners, is one of 100 counties established in North Carolina under General Statute 153A-10. The County was incorporated in 1907 and the County seat is located in Sanford, North Carolina. The County is responsible for and maintains services inherent to the operation of a county government including general government, public safety, economic and physical development, human services, education, cultural and recreation, and debt retirement. The County also operates a solid waste management system on a user basis.

The accounting policies of the County and its component units conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legal separate entities for which the County is financially accountable. Of the three component units, one is blended; and, although it is a legally separate entity, it is, in substance, part of the County's operations. The other component units are classified as discretely presented. (See below).

Blended Component Unit

Water and Sewer District #1 (the District) was formed in 1996. It exists to provide and maintain a water and sewer system for the County residents within the District. Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District. Therefore, the District is reported as an Enterprise Fund in the County's financial statements. The District does not issue separate financial statements.

Discretely Presented Component Units

Lee County Industrial Facility and Pollution Control Financing Authority (the Authority) was organized by the Board of Commissioners in 1976 to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

Lee County Development Corporation (the Corporation) was organized by the Board of Commissioners in 2003 and shall be operated exclusively for the purposes of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to purchase and sale, construction and/or lease of real estate and improvement, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, County Finance Director and the County Clerk. The Corporation does not issue separate financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Government-wide and Fund Financial Statements (Continued)

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

New High School Construction Fund is a capital project fund used to account for debt issuance and construction costs of a new high school.

The County reports the following major enterprise funds:

Water and Sewer District #1 Fund accounts for the operations of the Water and Sewer District #1.

Solid Waste Management Fund accounts for the operations of the County's solid waste activities.

Additionally the County reports the following trusts and agency funds:

The Pension Trust Law Enforcement Employees accounts for the accumulation of resources for pension benefits of public safety employees.

The Kenneth Brown Bequest Fund is a private trust to provide resources to the public library.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Government-wide and Fund Financial Statements (Continued)

The agency funds account for amounts collected on behalf of the Town of Broadway, the City of Sanford and the Central Business District for property taxes, accounts related to social services, fines and forfeitures from the court system and inmate accounts.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Lee County has three Enterprise Funds: the Water and Sewer District #1 Fund, the Golden Poultry Water Fund, and the Solid Waste Management Fund.

D. Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting (Continued)

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the County's operations during the 2006 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The County has elected not to follow subsequent private-sector guidance.

E. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds and the Proprietary Funds. All annual appropriations lapse at June 30. Project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Project Funds, which are consolidated with the Enterprise Operating Funds for reporting purposes.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, the Special Revenue Funds, the Proprietary Funds and the Expendable Trust Fund, and at the object level for the Capital Project Funds. The County Manager is authorized to transfer appropriations between departments within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 between departments must be approved by the governing board. The manager must also approve intradepartmental transactions. During the year, amendments to the original budget were necessary, the effects of which were not material.

As required by North Carolina General Statutes, Chapter 159, Section 26(d), Lee County maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

F. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The County may establish official depositories with any bank or savings and loan whose principal office is located in North Carolina. The County may also establish time deposits in the form of NOW accounts, SuperNow and money market accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County's Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT cash portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT term portfolio securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings investment contracts are reported at cost.

G. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The unexpended debt proceeds of the Capital Project funds are classified as restricted assets within their respective funds because their use is completely restricted to the purpose for which the debt were originally issued.

I. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2004.

J. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that was written off in prior years.

K. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers out" in the General Fund and "Operating transfers in" in the receiving fund.

L. Inventory

Inventory is valued at cost, which approximates market, using the first-in, first-out method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed.

M. Capital Assets

All purchased or constructed capital assets are valued at historical cost where records are available and at an estimated historical cost where no historical records exist. Capital assets of the County generally have an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Leased assets under capital leases are recorded at the lower of the fair value of the asset or the present value of the related lease obligation. Donated capital assets are valued at their estimated fair market value on the date received. When an asset is disposed of, the related cost is removed from the accounts.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, when applicable.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Capital Assets (Continued)

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

Land improvements	25 years
Buildings	50 years
Waterlines	50 years
Tanks	20 years
Wells and pumps	20 years
Equipment	5-20 years
Vehicles	5 years
Office furniture and equipment	7 years

N. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

O. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the county has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

P. Deferred/Unearned Revenue

In the fund financial statements, ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." Ad valorem taxes receivable that are measurable but not available are recorded as deferred revenue in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change. State law [G.S. 159-13(b)16] restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute represents the portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of receivables that are not offset by deferred revenues.

Reserved for encumbrances represents the portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved for register of deeds represents the portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds' office.

Reserved for notes receivable represents the portion of fund balance not available for appropriation because it represents the amount of long-term loans receivable owed to the County.

Reserved for inventory represents the portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable, available resources.

Unreserved:

Designated for subsequent year's expenditures represents the portion of total fund balance available for appropriation which has been appropriated in the 2005-06 budget ordinance.

Designated for special purposes represents the portion of total fund balance restricted for use by the Fire Marshall and the human service agencies.

Undesignated represents the portion of total fund balance available for appropriation which is uncommitted at year-end.

II. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Expenditures Exceeding Appropriations

Expenditures exceeded appropriations for the following funds:

Water & Sewer District #1 Fund	\$ 7,463,946
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In future years, budgets will be amended to account for proceeds from sales of assets that are used to pay debt off early.

III. DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

County deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2005, the County's deposits had a carrying amount of \$18,254,005 and a bank balance of \$18,771,357. The County only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$600,000 was covered by federal depository insurance and \$17,590,262 was collateralized under the Pooling Method.

At June 30, 2005, the County had \$1,055 cash on hand.

The County elected to maintain a non-interest bearing certificate of deposit with BB&T in the amount of \$384,000, in order to avoid banking service charges. This is considered a compensating balance.

At June 30, 2005, the Lee County had \$4,285,562 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The County has no policy regarding credit rating

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forest land may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 712,499	\$ 40,969	\$ 753,468
2003	664,090	38,185	702,275
2002	456,199	26,231	482,430
2001	<u>456,746</u>	<u>26,263</u>	<u>483,009</u>
Total	<u>\$ 2,289,534</u>	<u>\$ 131,648</u>	<u>\$ 2,421,182</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Receivables

Receivables at the government-wide level at June 30, 2005 were as follows:

	Taxes receivable- net	Accounts Receivable-Net		
		Accounts	Due from other government	Total
Governmental activities:				
General	\$ 1,960,425	\$ 1,603,276	\$ 2,036,040	\$ 3,639,316
New High School				
Construction	-	-	262,226	262,226
Other governmental	95,286	36,675	532,497	569,172
Total receivables	2,055,711	1,639,951	2,830,763	4,470,714
Allowance for doubtful accounts	(379,679)	(477,269)	-	(477,269)
Total governmental activities	\$ 1,676,032	\$ 1,162,682	\$ 2,830,763	\$ 3,993,445
Business-type activities:				
Water and sewer district	\$ -	\$ -	\$ 90	\$ 90
Solid waste management	-	101,566	3,091	104,657
Total receivables	-	101,566	3,181	104,747
Allowance for doubtful accounts	-	-	-	-
Total business-type activities	\$ -	\$ 101,566	\$ 3,181	\$ 104,747

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 2,274,585
Sales tax	417,414
N. C. Parks and Recreation Trust Fund	69,891
Community Development Block Grant	68,873
	<u>\$ 2,830,763</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Governmental activities by type:

	June 30, 2004	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2005
Nondepreciable assets:				
Land	\$ 2,347,401	\$ -	\$ 90,727	\$ 2,256,674
Land Improvements	242,923	-	-	242,923
Construction in progress	<u>1,628,927</u>	<u>2,198,922</u>	<u>-</u>	<u>3,827,849</u>
	<u>4,519,251</u>	<u>16,697,267</u>	<u>90,727</u>	<u>6,327,446</u>
Depreciable assets:				
Buildings	25,559,947	-	27,200	25,532,747
Equipment	<u>5,419,682</u>	<u>317,939</u>	<u>411,721</u>	<u>5,325,900</u>
	<u>30,979,629</u>	<u>317,939</u>	<u>438,921</u>	<u>30,858,647</u>
Less accumulated depreciation and amortization for:				
Buildings	13,411,242	940,648	24,480	14,327,410
Equipment	<u>3,562,759</u>	<u>420,691</u>	<u>370,549</u>	<u>3,612,901</u>
	<u>16,974,001</u>	<u>\$ 1,361,339</u>	<u>\$ 395,029</u>	<u>17,940,311</u>
Depreciable assets - net	<u>14,005,628</u>			<u>12,918,336</u>
Total Governmental Activities Capital Assets - net	<u>\$ 18,224,879</u>			<u>\$19,245,782</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 346,370
Public safety	653,109
Human services	172,756
Economic & physical development	84,058
Cultural & recreational	<u>105,046</u>
	<u>\$ 1,361,339</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

The following is a summary of proprietary fund type capital assets at June 30, 2005.

	June 30, 2004	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2005
Nondepreciable assets:				
Land	\$ 348,419	\$ -	\$ 87,994	\$ 260,425
	<u>348,419</u>	<u>-</u>	<u>87,994</u>	<u>260,425</u>
Depreciable assets:				
Buildings	553,436	6,619	-	560,055
Waterlines	12,629,734	-	12,629,734	-
Tanks	1,144,905	-	1,144,905	-
Wells & Pumps	49,520	-	49,520	-
Equipment	1,565,552	-	200,145	1,365,407
	<u>15,943,147</u>	<u>6,619</u>	<u>14,024,304</u>	<u>1,925,462</u>
Less accumulated depreciation and amortization for:				
Buildings	279,832	24,158	-	303,990
Waterlines	1,314,950	-	1,314,950	-
Tanks	629,394	-	629,394	-
Wells & Pumps	44,568	-	44,568	-
Equipment	1,071,797	86,383	135,739	1,022,441
	<u>3,340,541</u>	<u>\$ 110,541</u>	<u>\$ 2,124,651</u>	<u>1,326,431</u>
Depreciable assets - net	<u>12,602,606</u>			<u>599,031</u>
Total Business Activities				
Capital Assets - net	<u>\$ 12,951,025</u>			<u>\$ 859,456</u>

Depreciation was charged to functions of the business-type activities as follows:

Water and sewer	\$ -
Solid waste	<u>110,541</u>
	<u>\$ 110,541</u>

Loss on Sale of Assets – Special Item

In fiscal year ended June 30, 2005, the Lee County Water & Sewer District #1 entered into an interlocal agreement with the City of Sanford to sell the assets of the Lee County Water & Sewer District #1 system for the amount of the outstanding debt. The loss on disposal of the assets was treated as a special item in the basic financial statements.

III. DETAIL NOTES ON ALL FUNDS (Continued)

E. Liabilities

Payables

Payables at the government-wide level at June 30, 2005 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 688,041
New High School	
Construction	3,012,361
Other governmental	<u>659,124</u>
Total governmental activities	<u>\$ 4,359,526</u>
Business-type activities:	
Solid waste management	<u>\$ 35,696</u>
	<u>\$ 35,696</u>

F. Pension Plan Obligations

1. Local Governmental Employees' Retirement System

Plan Description

The County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$507,989, \$509,709, and \$497,201, respectively. The contributions made by the County equaled the required contributions for each year.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan Obligations (Continued)

2. Law Enforcement Officers' Special Separation Allowance

Plan Description

The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a pension trust fund. This plan issues unaudited plan financial statements. This report may be obtained by writing to Lee County Finance, 106 Hillcrest, Sanford, NC 27330.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>34</u>
Total	<u>37</u>

Summary of Significant Accounting Policies

Basis of Accounting - Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$38,506, or 3.23% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan Obligations (Continued)

2. Law Enforcement Officers' Special Separation Allowance (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) includes an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at December 31, 2004 was 27 years.

Annual Pension Cost and Net Pension Obligation - The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution			\$ 25,917
Interest on net pension obligation			5,608
Adjustment to annual required contribution			(4,339)
Annual pension cost			27,186
Contributions made			38,506
Increase (decrease) in net pension obligation			(11,320)
Net pension obligation beginning of fiscal year			77,347
Net pension obligation end of fiscal year			\$ 66,027

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/03	\$ 25,023	36.71%	\$ 64,277
6/30/04	27,498	52.47%	77,347
6/30/05	27,186	141.64%	66,027

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2005 were \$77,563 which consisted of \$64,375 from the County and \$13,188 from the law enforcement officers.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan Obligations (Continued)

4. Registers of Deeds' Supplemental Pension Fund

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2005, the County's required and actual contributions were \$16,515.

G. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all non law enforcement County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Contributions for the year ended June 30, 2005 were \$614,748, which consisted of \$458,317 from the County and \$156,431 from the employees.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan be held in trust for the exclusive benefit of the participants and their beneficiaries.

H. Post-Employment Benefits

Under the terms of a County resolution, Lee County provides post-retirement health care benefits to retirees of the County who meet the following criteria:

- 1) Retire from Lee County service with a benefit from LGERS
- 2) Have (i) 30 years of creditable service with LGERS or (ii) attained 55 years of age and completed 20 years of creditable service with the LGERS
- 3) Have completed at least 15 years of continuous Lee County employment immediately preceding retirement

The County pays the full cost of coverage for these benefits on a pay-as-you-go basis. As of June 30, 2005, there were 34 retirees eligible for post-retirement health benefits. The County made payments for post-retirement health benefit premiums of \$131,473. The County obtains health care coverage through private insurers.

III. DETAIL NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits (Continued)

Other Post-employment Benefits

The County has elected to provide death benefits to employees through a Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from Death Benefit Plan.

The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the County made contributions to the State for death benefits of \$12,669. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

I. Closure Costs - Lee County Landfill Facility

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County will continue to accept a limited amount of waste, primarily construction and demolition materials. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is estimated to be \$237,288; \$225,508 has been incurred as of June 30, 2005 and the remaining \$11,780 is reported as liability within the Solid Waste Management Fund at June 30, 2005. These amounts are based on what it would cost to perform all necessary closure and monitoring; however, actual costs may be higher due to inflation, changes in technology or changes in regulations.

J. Deferred/Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

Government-wide statements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not earned	\$ 150,166	\$ 150,166
Taxes receivable, net (General)	1,593,189	-
Taxes receivable, net (Special Revenue)	82,841	-
Accounts receivable, net (General)	5,484	-
	<u>\$ 1,831,680</u>	<u>\$ 150,166</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

K. Contingent Liabilities

The County has elected to pay the direct cost of employment security benefits in lieu of employment security taxes on the payroll. A liability for benefit payments could accrue in the year following discharge of employees.

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies.

L. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial coverage for all risks of loss. The County carries property insurance coverage of \$125.5 million per occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

M. Claims And Judgments

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

N. Long-Term Obligations

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

Long-term obligations at June 30, 2005 consist of the following:

General obligation bonds

Serviced by the General Fund:

Refunding series, issued November 2001; interest at 4.00%; due serially to 2009	\$ 4,445,000
Public improvement, issued November 2001; interest at 4.00% to 4.30%; due serially to 2015	1,585,000
School bonds series 1998, issued April 1998; interest at 4.80% to 5.00%; due serially to 2012	<u>13,000,000</u>
	<u>\$ 19,030,000</u>

Private placement loans:

Certificates of participation, series 2005, issued January 1, 2005; Interest at 2.00%-5.25%; due serially to 2024	\$ 25,720,000
Telecommunications School; payments of \$13,889 plus interest at 3.96% due monthly; matures 2018; collateralized by building	2,097,268
Agribusiness Center; interest at 6.69%, payments of \$17,492 due monthly; matures 2009; collateralized by building	721,479
EMS facility; interest at 6.90%, payments of \$5,394 due monthly; matures 2010; collateralized by building	<u>421,440</u>
	<u>\$ 28,960,187</u>

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

N. Long-Term Obligations (Continued)

Other long-term obligations:

Accrued vacation pay	\$ 1,013,367
Unfunded pension obligation	<u>66,027</u>
	<u>1,079,394</u>
	 <u>\$ 49,069,581</u>

Accrued vacation pay, within the governmental activities, as well as the unfunded pension obligation, are typically liquidated by the general fund.

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005	Current portion of balance
Governmental activities:					
General obligation bonds	\$ 21,875,000	\$ -	\$ 2,845,000	\$ 19,030,000	\$ 2,820,000
Private placement loan	29,861,693	-	901,506	28,960,187	917,883
Unfunded pension liability	77,347	27,186	38,506	66,027	-
Compensated absences	<u>960,694</u>	<u>446,830</u>	<u>422,582</u>	<u>984,942</u>	<u>422,000</u>
 Total governmental activities	 <u>\$ 52,774,734</u>	 <u>\$ 474,016</u>	 <u>\$ 4,407,594</u>	 <u>\$ 49,041,156</u>	 <u>\$ 4,159,883</u>
Business-type activities:					
General obligation bonds	\$ 8,030,000	\$ -	\$ 8,030,000	\$ -	\$ -
Compensated absences	<u>24,654</u>	<u>9,224</u>	<u>5,453</u>	<u>28,425</u>	<u>4,600</u>
 Total business-type activities	 <u>\$ 8,054,654</u>	 <u>\$ 9,224</u>	 <u>\$ 8,035,453</u>	 <u>\$ 28,425</u>	 <u>\$ 4,600</u>

In fiscal year ended June 30, 2005, the Lee County Water & Sewer District #1 entered into an interlocal agreement with the City of Sanford to sell the assets of the Lee County Water & Sewer District #1 system for the amount of the outstanding debt. Since part of the debt was not callable, the City of Sanford is making the debt service payments. As a result of this interlocal agreement, the debt is considered defeased, and the liability has been removed from the financial statements. As of June 30, 2005, the balance of this debt was \$1,125,000, and debt service payments made by the City of Sanford totaled \$105,100.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

N. Long-Term Obligations (Continued)

The annual requirements to retire all debt outstanding, other than compensated absences and the unfunded pension liability, at June 30, 2005, including interest, are as follows:

	Obligation bonds		Private placement		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:						
2006	\$ 2,820,000	\$ 892,780	\$ 917,883	\$ 1,286,894	\$ 3,737,883	\$ 2,179,674
2007	2,800,000	764,980	935,404	1,252,755	3,735,404	2,017,735
2008	2,775,000	637,980	954,146	1,216,146	3,729,146	1,854,126
2009	2,750,000	511,980	956,705	1,175,725	3,706,705	1,687,705
2010-2014	7,650,000	786,650	7,443,782	5,240,323	15,093,782	6,026,973
2015-2019	235,000	10,105	9,172,268	3,421,719	9,407,268	3,431,824
2020-2024	-	-	8,580,000	1,235,927	8,580,000	1,235,927
Total	\$ 19,030,000	\$ 3,604,475	\$ 28,960,187	\$ 14,829,489	\$ 47,990,187	\$ 18,433,964

The legal debt margin is governed by North Carolina G.S. 159-55. The net debt of the unit should not exceed 8% of the appraised value of property subject to taxation. As of June 30, 2005, Lee County has a legal debt margin of \$245,754,769.

O. Joint Ventures

The County, in conjunction with Harnett County, participates in the Lee/Harnett Area Mental Health Authority. Lee County appoints seven members to the 15-member board. The Authority is a joint venture established to provide the participating counties with legally mandated mental health services. The County has an ongoing financial responsibility for the Authority because the Authority's continued existence depends on the participating governments' continued funding. The County contributed \$240,000 to the Authority during the fiscal year ended June 30, 2005. Neither of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2005. Complete financial statements for the Authority can be obtained from the Authority's administrative office at Highway 421, Post Office Box 457, Buies Creek, North Carolina 27506.

The County, in conjunction with the City of Sanford, participates in the Sanford-Lee County Regional Airport Authority. Each participating government appoints three members of the six member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. Financing sources for the annual operating budget of the airport are provided by the County and the City of Sanford. The construction costs for airport improvement projects that are not funded by federal and State grants are financed by the County and the City equally. The County did not contribute any funds to the Airport for operations during the fiscal year ended June 30, 2005. In addition, the County loaned the Airport Authority \$300,294 in fiscal year ending June 30, 2002 which will be paid in annual installments over a period of 13 years. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2005. Complete financial statements for the Airport can be obtained from the Airport's administrative office at 3000 Airport Road, Sanford, NC 27330.

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Joint Ventures (Continued)

The County, in conjunction with the State of North Carolina, the Lee County Board of Education and the counties of Chatham and Harnett, participate in a joint venture to operate the Central Carolina Community College. Lee County, the State and the Lee County Board of Education each appoint four members of the seventeen-member board of trustees of the community college. The counties of Chatham and Harnett each appoint two members to the board of trustees, and the president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$1,568,099 to the community college for operating purposes during the fiscal year ended June 30, 2005. In addition, the County contributed \$55,739 to the operation of the Civic Center that is operated by the community college. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements as of June 30, 2005. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

The County, in conjunction with the City of Sanford and the Town of Broadway, participates in the Lee County Economic Development Corporation. Lee County appoints five members to the eleven-member board. The Economic Development Corporation is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$424,424 to the Corporation during the fiscal year ended June 30, 2005. None of the participating governments have any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2005. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 130 Wicker Street, Sanford, NC 27330.

P. Supplemental and Additional One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2005, the County reported these local option sales taxes within its Special Revenue Funds. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

LEE COUNTY, NORTH CAROLINA
Notes To Financial Statements (Continued)

III. DETAIL NOTES ON ALL FUNDS (Continued)

Q. Additional Social Welfare Expenditures

Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 26,541,511	\$ 12,698,819
TANF	451,636	(190)
Food Stamps	4,213,218	-
WIC	1,205,368	-
Other	69,941	114,376
State/County Special Assistance	-	464,796
	<u>\$ 32,481,674</u>	<u>\$ 13,277,801</u>

R. Conduit Debt Obligations

Lee County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Four series of industrial revenue bonds were outstanding as of June 30, 2005. The original issue amount of such bonds totaled \$13,850,000. The amount of conduit debt outstanding at June 30, 2005 was not determinable and could not be reasonably estimated.

S. Transfers From / To Other Funds

Fund Type	Fund Name	Transfers		Purposes
		From	To	
General Fund	General Fund	\$ 850,000		Local portion of capital project
Capital Project	High School Project		\$ 850,000	
General Fund	General Fund	486,809		Local portion of capital project
Capital Project	Sewer Line Extension		486,809	
General Fund	General Fund	365,800		Local portion of capital project
Capital Project	Makepeace Expansion		365,800	
Special Revenue	School Capital Outlay	1,712,037		Debt service
General Fund	General Fund		1,712,037	
Special Revenue	Emergency Telephone System	14,767		Operating expense
General Fund	General Fund		14,767	
Special Revenue	State School Bond Reserves	1,521,100		Debt service
General Fund	General Fund		1,521,100	
Special Revenue	Fire Districts	70,110		Operating expense
General Fund	General Fund		70,110	
Capital Project	Animal Control Shelter	29,320		Unspent local portion of capital project
General Fund	General Fund		29,320	
Enterprise Fund	Water & Sewer District #1	235,599		Local portion of capital project
Capital Project	Sewer Line Extension		235,599	
Enterprise Fund	Golden Poultry Water	107,315		Local portion of capital project
Capital Project	Sewer Line Extension		107,315	
		<u>\$ 5,392,857</u>	<u>\$ 5,392,857</u>	

III. DETAIL NOTES ON ALL FUNDS (Continued)

T. Prior Period Adjustments

The prior period adjustment is to remove Construction in Progress for projects that Lee County has capital leases outstanding for Lee County Schools and Central Carolina Community College.